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C O N F I D E N T I A L SECTION 01 OF 02 BUENOS AIRES 001804

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STATE FOR WHA TOM SHANNON, JOHN MAISTO, AND CHARLES SHAPIRO
NSC FOR DAN FISK
TREASURY FOR DAS NANCY LEE
USCINCSO FOR POLAD

E.O. 12958: DECL: 08/10/2016

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SUBJECT: ARGENTINA: KIRCHNER STRATEGIST ON ELECTIONS AND
GOA POLICY

Classified By: CDA, a.i., Michael Matera, Reasons 1.4(b) and (d)

11. (C) SUMMARY: On August 9, the Charge and Poloff (notetaker) paid a courtesy call on Juan Carlos Mazzon, President Kirchner's primary political campaign strategist, that included a discussion on the 2007 elections and GOA policy. The Charge noted Argentina's impressive economic recovery in the last three years, but expressed some concern over the GOA's price control policies and their impact on investment. Turning to domestic politics, Mazzon expressed confidence that President Kirchner would run for reelection next year, but regardless, he said First Lady and Senator Cristina Kirchner would definitely not be a presidential candidate. Mazzon said he thought former Economy Minister Roberto Lavagna's potential presidential candidacy was positive because it instigated a new debate over ideas and provided a means for the Radical Civic Union (UCR) to survive as a party. Charge took the opportunity to deny press reports that Lavagna was the U.S. candidate. Turning to international issues, Charge said that the General Preferences System (GPS) review announced earlier in the week was a technical process required by our Congress and was not designed as a punishment for Argentina or the other 12 countries included in the review. Mazzon closed by saying that the GOA looked forward to working with incoming Ambassador Wayne. END SUMMARY.

12. (SBU) On August 9, the Charge and Poloff (notetaker) paid a courtesy call on Juan Carlos Mazzon, President Kirchner's primary political campaign strategist that included a discussion on the 2007 elections and GOA policy. Mazzon welcomed the Charge back to Argentina.

13. (C) The Charge noted Argentina's impressive economic recovery in the last three years, but expressed concern over the GOA's price control policies and their impact on investment. The Charge drew an analogy between the inflexibility of the current GOA attempts at price controls to Argentina's decade-long adherence to convertibility in the 1990s, arguing that market forces cannot be held in check for extended periods without serious risks. Mazzon said that the price controls were designed as a short-term measure. He blamed part of the inflation problem on the business

community taking excess profits, requiring price controls. The Charge noted the importance of attracting foreign investment leading to greater supply as a better long-term solution to the inflation problem. Mazzon said the GOA wanted to avoid a vicious cycle in which government policies against inflation lowered investment, thereby causing more inflation. Mazzon said the GOA also has a major role to play in investment, with the increased government reserves allowing the GOA to make badly needed investments in energy, transportation and infrastructure.

¶4. (C) Turning to domestic politics, Mazzon expressed confidence that President Kirchner would run for reelection next year, but regardless, he said First Lady and Senator Cristina Kirchner would definitely not be a presidential candidate. If President Kirchner decided not to run, he said that the Casa Rosada would find another candidate to run for president, instead of Cristina Kirchner. Mazzon felt that "other figures" within the ruling party would try to secure the presidential nomination if President Kirchner decided not to run, a fact that Mazzon thought would push President Kirchner to run in the end, even if he does not want to do so.

¶5. (C) Mazzon said he thought former Economy Minister Roberto Lavagna's potential presidential candidacy was positive because it instigated a new debate over ideas and provided a means for the Radical Civic Union (UCR) to survive as a party. Charge took the opportunity to correct press reports that Lavagna was the U.S. candidate, noting that the U.S. would take no sides in the 2007 election and would work with any president that the Argentine people democratically choose. Mazzon said that he never believed the reports about the U.S.-Lavagna connection and said that the Argentine press created the story based on the fact that Lavagna traveled to

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the U.S. before initiating his pre-candidacy. "When there are no headlines in Argentina, we invent them." Charge noted the irony that the UCR was seeking to save itself by supporting one of two Peronist candidates, either President Kirchner or Lavagna. (Note: The UCR is currently divided between those that want to align with Kirchner and those that want the party to support an opposition candidate, principally Roberto Lavagna. End Note.)

¶6. (C) Mazzon was optimistic about the Casa Rosada's chances in next year's elections, highlighting their use of allies from across party lines. Mazzon said there would be three main branches of Kirchner forces for the electoral campaign -- Kirchner's Victory Front (FPV), the Peronist Party (PJ), and Kirchner's "concertacion" that would include Kirchner's UCR allies. In a few districts, Mazzon noted that the branches would likely compete against each other, such as in Rio Negro, where a UCR Governor aligned with Kirchner will compete against a PJ candidate for Governor who is also a close ally of Kirchner. Mazzon said the Capital would be a key Kirchner focus in the 2007 elections, with Vice President Scioli being the likely candidate. Mazzon said he thought Republican Proposal (PRO) leader Mauricio Macri would compete for Mayor of Buenos Aires and would be a difficult candidate for the government to beat.

¶7. (C) Turning to international issues, Charge said that the General Preferences System (GPS) review was a technical process required by U.S. legislation and was not designed in any way as a punishment of Argentina. Charge noted that many other countries, including close U.S. allies, were also undergoing the same review. Charge emphasized that the U.S. is looking for the GOA's input into the GPS review process. The Charge noted that while the USG and GOA may not agree on all issues, the U.S. and Argentina have successfully maintained an open and honest dialogue. Mazzon said that the GOA also wanted a good dialogue with the USG and said he thought the initial press reporting of the issue was not helpful.

¶8. (C) Charge and Mazzon closed with a discussion of incoming Ambassador Wayne. Charge highlighted Ambassador Wayne's strong credentials on economics, as well as his broad political expertise. Mazzon said the GOA looked forward to working with the new Ambassador, and Mazzon complimented the "prudence" with which Ambassador Gutierrez had conducted himself during his three years in Buenos Aires.

¶9. (C) COMMENT: This was a good first meeting between the Charge and Juan Carlos Mazzon and proved to be a good opportunity for the Charge to clarify some misconceptions about U.S. policy that have been circulating in the Argentine press. Mazzon's comments about Cristina Kirchner not being a presidential candidate next year under any circumstances lend credence to press reporting that the Cristina candidacy has been discarded for the time being. It also may reveal the strong divisions the talk about her potential presidential run generated among the Casa Rosada staff, with Mazzon falling into the "anti-Cristina candidacy" camp. Juan Carlos Mazzon will continue to be a valuable Embassy contact as we head into next year's election campaign, where Mazzon will play a pivotal role in developing Kirchner's electoral strategy. END COMMENT.

MATERA